

GRAND LEDGE PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2006

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Grand Ledge Public Schools
Grand Ledge, Michigan

August 14, 2006

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grand Ledge Public Schools, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Grand Ledge Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Grand Ledge Public Schools as of June 30, 2006 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Education
Grand Ledge Public Schools

August 14, 2006

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2006, of Grand Ledge Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vi through xvi and 26, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grand Ledge Public Schools' basic financial statements. The additional information on pages 28 to 49 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mamer, Costeniser & Ellis, P.C." The signature is written in black ink and is positioned above the printed name of the firm.

Certified Public Accountants

**Grand Ledge Public Schools
Management's Discussion and Analysis
For Fiscal Year Ending June 30, 2006**

Grand Ledge Public Schools, a K-12 School District located in Eaton, Clinton and Ionia Counties, Michigan is in its fourth year of implementation of the provisions of Governmental Accounting Standards Board Statement #34 (GASB 34) with the enclosed financial statements. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Grand Ledge Public Schools' administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2006.

Generally accepted accounting principles (GAAP) according to GASB Statement #34 require reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements

The fund level financial statements are reported on modified accrual basis. Only those assets "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". In the State of Michigan, the district's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in the relevant funds including the Debt Fund, Capital Improvement (Sinking) Fund, and Special Revenue Funds comprised of Food Service, Community Education, Athletics, and the Student Bookstore.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future years' debt obligations are not reported.

District Wide Financial Statements

The District wide financial statements are full accrual based statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for payment of long term principal or interest are grouped with unrestricted assets of the General Fund.

Capital assets and long-term obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

Summary of Net Assets

The School District's net assets totaled \$19,087,551 at June 30, 2006, an increase of \$801,893 (4.38%) over the balance at the end of the prior year. Unrestricted net assets decreased slightly from \$3,261,645 to \$3,078,304 or \$183,341. Restricted net assets increased from \$487,765 to \$1,513,246 or \$1,025,481. Restricted net assets represent legal constraints from debt covenants and legislation that limit the School District's ability to use those net assets for day-to-day operations. The following is a summary of the School District's net assets at June 30, 2006:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Assets		
Current assets	\$ 13,946,101	\$ 14,082,456
Capital assets, net of depreciation	70,335,781	68,981,207
Total assets	<u>\$ 84,281,882</u>	<u>\$ 83,063,663</u>
Liabilities		
Current liabilities	\$ 12,099,745	\$ 11,173,927
Long-term liabilities	53,094,586	53,604,078
Total liabilities	<u>65,194,331</u>	<u>64,778,005</u>
Net Assets		
Invested in capital assets, net of related debt	14,496,001	14,536,248
Restricted	1,513,246	487,765
Unrestricted	3,078,304	3,261,645
Total net assets	<u>19,087,551</u>	<u>18,285,658</u>
Total liabilities and net assets	<u>\$ 84,281,882</u>	<u>\$ 83,063,663</u>

Analysis of Financial Position

During fiscal year ended June 30, 2006, the School District's net assets increased by \$801,893. A few of the significant factors affecting net assets during the year are discussed below:

A. Governmental Fund Operations

In the School District's governmental funds, expenditures exceeded revenues \$3,505,847 for the fiscal year ended June 30, 2006. However, when Other Financing Sources (Uses) are included, expenditures exceeded revenues by only \$279,101. During the fiscal year, the District purchased a tract of land and used General Obligation to finance the transaction. See the section entitled Major Governmental Funds Budgeting and Operating Highlights below for further discussion of governmental fund operations.

B. Depreciation Expense

The provisions of GASB 34 require the School District to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation is a reduction in net assets. Depreciation expense is recorded using a straight-line method over the estimated useful lives of the assets. In accordance with generally accepted accounting principles, depreciation expense is recorded based on the original cost of the asset less an estimated salvage value. For the year ended June 30, 2006, the depreciation expense was \$2,543,799.

C. Capital Acquisitions

Capital outlay for the year ended June 30, 2006 totaled \$3,915,272. Capital outlay was offset by current year depreciation expense of \$2,543,799 creating an increase in net assets from capital outlays of \$1,371,473.

D. Debt Repayments

Repayment of debt decreased the School District's long-term principal obligations and, thereby increased the net assets of the School District. The School District repaid \$2,749,555 of long-term debt during the year ended June 30, 2006.

Results of Operations

The results of this year's operations for the School District as a whole are reported in the Statement of Activities. As the table below indicates, net assets increased for the year ending June 30, 2006. Revenues increased due to higher per pupil funding from the State of Michigan with expenditures increasing proportionately with the level of funding. Interest on long term debt decreased as the District continues paying down its outstanding debt.

Revenue	<u>June 30, 2006</u>	<u>June 30, 2005</u>
General revenue		
Property taxes, levied for general purposes	\$ 7,198,130	\$ 6,779,407
Property taxes, levied for debt service	4,617,296	4,512,897
Property taxes, levied for capital projects	1,148,379	1,087,112
State of Michigan aid, unrestricted	29,728,282	28,023,112
Interest and investment earnings	234,589	120,614
Gain on sale of school property	-	-
Other general revenue	<u>229,444</u>	<u>212,123</u>
Total general revenue	43,156,120	40,735,265
Program revenue		
Charges for services	1,911,737	1,913,005
Operating grants and contributions	<u>4,795,482</u>	<u>4,565,228</u>
Total revenue	<u>49,863,339</u>	<u>47,213,498</u>
Expenses		
Instruction	25,630,317	25,052,575
Supporting services	15,075,982	13,665,110
Food services	1,640,811	1,640,432
School store	37,960	67,111
Athletics	1,047,116	903,576
Community services	400,869	411,374
Interest on long-term debt	2,684,592	2,309,061
Depreciation - unallocated	<u>2,543,799</u>	<u>2,525,329</u>
Total expenses	<u>49,061,446</u>	<u>46,574,568</u>
Increase in net assets	801,893	638,930
Net assets - July 1	<u>18,285,658</u>	<u>17,646,728</u>
Net assets - June 30	<u><u>\$ 19,087,551</u></u>	<u><u>\$ 18,285,658</u></u>

Governmental Funds Financial Highlights

The General Fund is reported separately as a major fund in the fund financial statements. Funds reported as "Other Governmental Funds" in the fund financial statements include the Athletics and Food Service Special Revenue Funds, Debt Retirement Funds, and Capital Project Funds. The annual fund financial statements provide the following insights about the results of this year's operations:

A. General Fund

As a percentage of total expenditures, the General Fund experienced a decrease in fund equity of \$290,843 or .70% during the year ended June 30, 2006. The beginning fund balance was \$3,736,952 as of July 1, 2005 and the ending fund balance was \$3,446,109 at June 30, 2006, which equates to 8.3% of total expenditures for the year.

B. Other Governmental Funds

Other governmental funds experienced a modest increase in fund equity of \$11,742 during the year. The beginning fund balance on July 1, 2005 stood at \$2,186,026 and at June 30, 2006 the fund balance was \$2,197,768. The Sinking Fund or Capital Projects Fund which was approved by voters in September of 2002, finished its fourth year with a fund balance of \$923,773, down slightly from \$933,035 at the end of FY04-05. Completed projects include improvements to Beagle Middle School and the purchase of additional portable classrooms at Delta Center Elementary. Additionally, the district purchased property for future expansion. The financial condition of the Food Service Program improved during the 2005-06 school year adding \$36,709 to fund balance for a total fund balance at year end of \$71,395. The School District's Athletics fund dipped into its rather healthy fund balance in the amount of \$50,370 leaving a fund balance as of June 30, 2006 of \$147,210.

Major Governmental Funds Budgeting and Operating Highlights

The School District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, based on facts and assumptions known at the time of the initial budget preparation. It is expected that there will be changes between the initial budget and subsequent budgets, as many factors are not known at the time of adoption of the initial budget. Some of these factors include enrollment changes and resultant staffing adjustments, staffing changes that take place during the year, state school aid adjustments, grant allocations, and other unforeseeable events. As a matter of practice, the School District amends its budget periodically during the fiscal year to adjust for these changes. The School District prepares budgets for the General Fund, Special Revenue Funds, Debt Service Fund, and Sinking Fund.

A. General Fund

In the General Fund, actual revenue was \$41.58 million. This is below the original budget estimate of \$39.08 million but just slightly above the final amended budgeted amount of \$41.56 million, a variance of \$19,510 or 0.04%. The actual expenditures of the General Fund were \$41.3 million. This is below the original budget estimate of \$39.0 million and below the final amended budgeted amount of \$41.8 million, a variance of \$549,587 or 1.31%. Historically, actual revenues have been close to budget with surpluses being reflected on the expenditure side as some budgeted funds are left unspent.

The General fund revenue exceeded expenditures by \$287,591 for the year ended June 30, 2006. After adjusting for net uses of Other Financing Sources of \$578,434, the excess becomes a deficiency of \$290,843. The ending fund equity in the General Fund for the year ending June 30, 2006 was \$3,446,109 (8.34%) on expenditures of \$41,287,659. For the prior year which ended June 30, 2005, the fund equity for the year ending June 30, 2005 was \$3,736,952 (9.70%) on expenditures of \$ 38,516,559.

B. Capital Projects Fund - Sinking Fund and 2005 Land Acquisition Fund

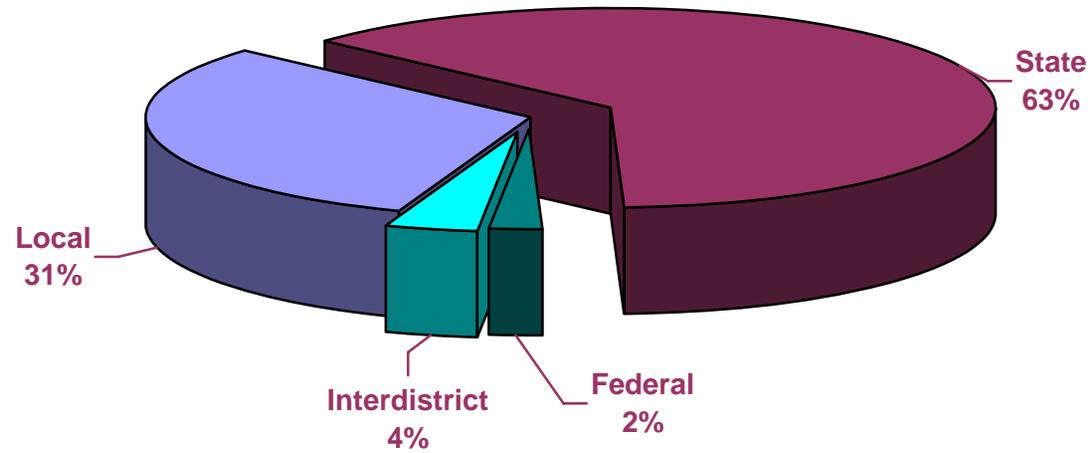
The Sinking Fund, whose revenue comes from local property taxes, received voter approval in September 2002. The proposal was for one (1) mill to be levied over ten (10) years. Expenditures take the form of capital improvement projects for major repairs, improvements to the School District's facilities, and land acquisition.

During the year, the Sinking Fund and Land Acquisition Fund collected \$1,184,124 in revenues. These funds expended \$3,804,941 in the fiscal year ending June 30, 2006. A significant portion of the expenditures was the purchase of 123 acre tract of land at the intersection of St. Joseph Highway and Nixon Road. The purchase was funded by issuing \$3.125 million in General Obligation Bonds. The fund balance in the Sinking Fund as of June 30, 2006 stood at \$923,773, down slightly from the ending fund balance as of June 30, 2005 of \$933,035.

Governmental Fund Revenues

Revenues for all governmental funds totaled \$49.9 million for 2005/2006. The following graph illustrates the School District's revenues by source as a percentage of total revenue:

Revenues by Source



A. Unrestricted State Aid

The School District is predominantly funded by State Aid which has increased on a per-pupil basis although at a rate that is less than the rate of inflation. Unrestricted state aid is determined by the following three variables: (1) State of Michigan student foundation allowance; (2) student enrollment for the year, blended at 75 percent of the current year's fall student count and 25 percent of the previous year's winter student count; and (3) the School District's non-homestead property tax levy.

Annually, the State of Michigan establishes the per student foundation allowance. For the year ended June 30, 2006, the foundation allowance for Grand Ledge Public Schools was established at \$6,990, an increase of \$175 in the funding level over 2004-05. Student enrollment for state aid for the 2004/2005 year was 5,381, an increase of 31 full time equated students over the prior year.

The following schedule summarizes the School District's blended student enrollment in full-time equivalencies and per student Foundation Allowance for the current year and the previous five years:

<u>Year</u>	<u>Student Enrollment</u>	<u>Change from Prior Year</u>	<u>Foundation Allowance</u>	<u>Change from Prior Year</u>
2005/2006	5,381	31	\$ 6,990	\$ 175
2004/2005	5,350	-2	6,815	-
2003/2004	5,352	-92	6,815	-
2002/2003	5,444	90	6,815	200
2001/2002	5,354	70	6,615	300
2000/2001	5,284	-38	6,315	305
1999/2000	5,322	97	6,010	234

B. Property Taxes

The School District levies 18 mills of property taxes on all non-homestead property located within the School District for General Fund operations. The levy is assessed on the Taxable Value of the property. The increase in taxable value is limited to the lesser of the inflation rate or 5%. When a property is sold, the Taxable Valuation of the sold property is readjusted to the State Equalized Value, which is approximately 50% of market value. This levy is subject to millage reduction fractions. In anticipation of future rollbacks, voters have approved a "Headlee Override" millage authorization of up to 3 mills. For the tax year 2005, the District levied .5201 Headlee Override mills to ensure the District levied the full 18 mills on non-homestead property that is required to earn per pupil funding.

The School District levied 3.90 mills on all classes of property located within the School District for bonded debt retirement on the 1995 Facility Improvement Bonds. This levy is not subject to millage reduction fractions and taxes are used to pay the principal and interest on bond obligations. The total amount levied for debt retirement was \$4.6 million for the year.

The School District's sinking funds are used for the repairs and replacement of buildings and sites. In September 2002, the School District's voters approved a 1.0 mill ten-year levy. These levies are subject to millage reduction fractions with the 2005-06 levy reduced by Headlee to .9847 mills.

Governmental Fund Expenditures

The chart below illustrates that the General Fund comprises 72% of all expenditures within the governmental funds of the School District. As of June 30, 2006, expenditures and other financing uses totaled \$56.6 million for all School District programs. The ending fund equity for all funds was \$5.6 million.

	Expenditures & other uses (in millions)	Percent of total
General fund	\$ 40.7	72%
Other governmental funds	15.9	28%
Total	<u>\$ 56.6</u>	<u>100%</u>

Capital Asset and Debt Administration

A. Capital Assets

At June 30, 2006, the School District had \$101.8 million invested in land and buildings, furniture and equipment, buses and other vehicles. Of this amount, \$31.76 million has been depreciated resulting in a net book value of \$70.0 million. The School District's buildings range in years of construction from 1929 (Sawdon Administration Building) to 1996 (Willow Ridge Elementary and the Operations Center). The majority of the buildings were constructed in the 1950's and 1960's. The School District is committed to timely repairs and maintenance of its facilities. Computer purchases fall below the School District's capitalization threshold of \$5,000 and are expensed accordingly.

Capital Assets at June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Land, building and additions	\$ 80,537,482	\$ 76,894,786
Equipment and furniture	17,834,831	17,766,874
Buses and other vehicles	<u>3,418,706</u>	<u>3,252,325</u>
 Total	 101,791,019	 97,913,985
Less accumulated depreciation	<u>31,759,419</u>	<u>29,253,858</u>
 Net capital assets	 <u><u>\$ 70,031,600</u></u>	 <u><u>\$ 68,660,127</u></u>

B. Long-Term Debt

At June 30, 2006, the School District had \$56.45 million in outstanding bonds and notes payable excluding the Durant debt which is issued and paid by the State of Michigan. The School District collects revenues to meet its outstanding debt obligations across total property values. Therefore, total growth in valuation is an important element in determining the School District's ability to retire bonded debt and/or to incur additional bonded debt as increased enrollment may require.

For more detailed information regarding capital assets and debt administration, please review the Notes to Financial Statements located in the financial section of this report.

Conditions that will Significantly Affect Financial Position and Results of Operations in Future Years

On September 28, 2002, the voters approved a request to establish a Sinking Fund with a ten-year levy of 1.0 mills. The Sinking Fund is restricted in use to the purchase of land and to improvements in buildings and sites. The levy is subject to rollback based on the Headlee tax limitation clause in the State Constitution.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the School District's finances. If you have questions about this report or need additional information, contact J. Thomas Goodwin, Chief Financial Officer, Grand Ledge Public Schools, 220 Lamson Street, Grand Ledge, Michigan 48837 or by telephone at (517) 627-5363.

**GRAND LEDGE PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2006**

	Governmental activities
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 5,561,569
Investments	1,973,078
Receivables:	
Other governmental units	5,713,358
Taxes	98,193
Other	458,295
Inventories	32,908
Prepaid expenditures	108,700
	<hr/>
TOTAL CURRENT ASSETS	13,946,101
NONCURRENT ASSETS:	
Deferred charges, net of amortization	304,181
Capital assets	101,791,019
Less accumulated depreciation	(31,759,419)
	<hr/>
TOTAL NONCURRENT ASSETS	70,335,781
	<hr/>
TOTAL ASSETS	\$ 84,281,882
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 279,677
Accrued interest	544,891
Accrued salaries and related items	3,888,787
Deferred revenue	135,678
Note payable	3,900,000
Current portion of long-term obligations	3,150,712
Current portion of other obligations	200,000
	<hr/>
TOTAL CURRENT LIABILITIES	12,099,745
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	52,384,887
Compensated absences	393,599
Retirement and severance payable	166,100
Voluntary severance plan	150,000
	<hr/>
TOTAL NONCURRENT LIABILITIES	53,094,586
	<hr/>
TOTAL LIABILITIES	65,194,331
NET ASSETS:	
Invested in capital assets, net of related debt	14,496,001
Restricted for capital projects (sinking fund)	923,773
Restricted for debt service	589,473
Unrestricted	3,078,304
	<hr/>
TOTAL NET ASSETS	19,087,551
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 84,281,882

See notes to financial statements.

**GRAND LEDGE PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program revenues</u>		<u>Governmental activities</u>
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Net (expense) revenue and changes in net assets</u>
Governmental activities:				
Instruction	\$ 25,630,317	\$ 587	\$ 2,492,596	\$ (23,137,134)
Support services	15,075,982		1,797,441	(13,278,541)
Food services	1,640,811	1,192,426	485,026	36,641
Athletics	1,047,116	287,197		(759,919)
Community services	400,869	391,093		(9,776)
School store	37,960	40,434		2,474
Interest on long-term debt	2,684,592		20,419	(2,664,173)
Unallocated depreciation	2,543,799			(2,543,799)
Total governmental activities	<u>\$ 49,061,446</u>	<u>\$ 1,911,737</u>	<u>\$ 4,795,482</u>	<u>(42,354,227)</u>
General revenues:				
Property taxes, levied for general purposes				7,198,130
Property taxes, levied for debt service				4,617,296
Property taxes, levied for sinking fund				1,148,379
Investment earnings				234,589
State sources				29,728,282
Other				229,444
Total general revenues				<u>43,156,120</u>
CHANGE IN NET ASSETS				801,893
NET ASSETS, beginning of year				<u>18,285,658</u>
NET ASSETS, end of year				<u>\$ 19,087,551</u>

**GRAND LEDGE PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	General fund	Other nonmajor governmental funds	Total governmental funds
ASSETS			
ASSETS:			
Cash and cash equivalents	\$ 3,310,461	\$ 2,251,108	\$ 5,561,569
Investments	1,973,078		1,973,078
Receivables:			
Other governmental units	5,713,358		5,713,358
Due from other funds	212,245	91,984	304,229
Taxes	75,967	22,226	98,193
Other	423,865	34,430	458,295
Inventories	9,108	23,800	32,908
Prepaid expenditures	28,700	80,000	108,700
	\$ 11,746,782	\$ 2,503,548	\$ 14,250,330
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 254,063	\$ 25,614	\$ 279,677
Accrued interest	97,747	335	98,082
Accrued salaries and related items	3,863,367	25,420	3,888,787
Deferred revenue	93,512	42,166	135,678
Due to other funds	91,984	212,245	304,229
Note payable	3,900,000		3,900,000
	8,300,673	305,780	8,606,453
FUND BALANCES:			
	General fund	Other nonmajor governmental funds	Total governmental funds
Reserved for debt service	\$	\$ 1,036,282.00	\$ 1,036,282.00
Reserved for prepaid expenditures	28,700	80,000	108,700
Reserved for inventories	9,108	23,800	32,908
Designated for adult education	69,003	-	69,003
Designated for subsequent year's expenditures	621,478	923,773	1,545,251
Unreserved, undesignated	2,717,820	133,913	2,851,733
	3,446,109	2,197,768	5,643,877
	\$ 11,746,782	\$ 2,503,548	\$ 14,250,330
Total Governmental Fund Balances			\$ 5,643,877
Amounts reported for governmental activities in the statement of net assets are different because:			
Deferred charges for bond issuance costs		\$ 337,979	
Accumulated amortization		(33,798)	
			304,181
Capital assets used in governmental activities are not financial resources and are not reported in the funds:			
The cost of the capital assets is		101,791,019	
Accumulated depreciation is		(31,759,419)	
			70,031,600
Long-term liabilities are not due and payable in the current period and are not reported in the funds:			
Bonds payable			(54,172,564)
Other long term debt			(964,600)
Bond premium			(1,624,148)
Deferred amount of bond refunding			1,225,713
Compensated absences			(418,599)
Retirement and severance payable			(191,100)
Voluntary severance plan			(300,000)
Accrued interest is not included as a liability in government funds, it is recorded when paid			(446,809)
Net assets of governmental activities			\$ 19,087,551

GRAND LEDGE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	<u>General fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES:			
Local sources:			
Property taxes	\$ 7,198,130	\$ 5,765,675	\$ 12,963,805
Community services and tuition	587		587
Investment income	179,545	55,044	234,589
Other	223,966	1,912,350	2,136,316
Total local sources	7,602,228	7,733,069	15,335,297
State sources	31,458,865	136,580	31,595,445
Federal sources	717,569	414,162	1,131,731
Incoming transfers and other transactions	1,796,588		1,796,588
Total revenues	41,575,250	8,283,811	49,859,061
EXPENDITURES:			
Current:			
Instruction:			
Basic programs	18,945,974		18,945,974
Added needs	6,139,295		6,139,295
Adult and community education	225,061		225,061
Total instruction	25,310,330		25,310,330
Support services:			
Pupil	1,202,921		1,202,921
Instructional staff	1,130,372		1,130,372
General administration	517,890		517,890
School administration	2,714,372		2,714,372
Business	582,809		582,809
Operations and maintenance	4,798,493		4,798,493
Transportation	2,345,010		2,345,010
Central and technology	960,509		960,509
Total support services	14,252,376		14,252,376
EXPENDITURES (Concluded):			
Current (Concluded):			
Athletics	\$	\$ 1,047,116	\$ 1,047,116
Food service		1,656,763	1,656,763
Community service		400,869	400,869
School store		37,960	37,960
Outgoing transfers and other transactions	1,724,953		1,724,953
Capital outlay		3,671,435	3,671,435
Debt service:			
Principal retirement		2,629,672	2,629,672
Interest and fiscal charges		2,633,434	2,633,434
Total expenditures	41,287,659	12,077,249	53,364,908
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	287,591	(3,793,438)	(3,505,847)
OTHER FINANCING SOURCES (USES):			
Proceeds from loan	123,763		123,763
Proceed from bonded debt		3,125,000	3,125,000
Bond issuance costs		(26,295)	(26,295)
Operating transfers in	2,000	1,197,159	1,199,159
Operating transfers out	(708,475)	(490,684)	(1,199,159)
Sale of capital assets	4,278		4,278
Total other financing sources (uses)	(578,434)	3,805,180	3,226,746
NET CHANGE IN FUND BALANCES	(290,843)	11,742	(279,101)
FUND BALANCES:			
Beginning of year	3,736,952	2,186,026	5,922,978
End of year	\$ 3,446,109	\$ 2,197,768	\$ 5,643,877

**GRAND LEDGE PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

Net change in fund balances total governmental funds \$ (279,101)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities.

These costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(2,543,799)
Capital outlay	3,915,272
Gain on sale of capital assets	4,278
Proceeds from sale of capital assets	(4,278)

Accrued interest on bonds is recorded in the statement of activities

when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	504,647
Accrued interest payable, end of the year	(446,809)

Proceeds and repayments of principal on long-term debt are other financing

sources and expenditures in the governmental funds, but not in the statement of activities
(where they are additions and reductions of liabilities)

Proceed from bond issuance	(3,125,000)
Proceed from installment note payable	(123,763)
Payment on debt	2,749,555
Amortization expense	(16,899)
Amortization premium	90,230
Amortization of deferred amount on bond refunding	(69,709)

Compensated absences are reported on the accrual method in the statement of activities,

and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued retirement and severance benefits, beginning of the year	197,162
Accrued retirement and severance benefits, end of the year	(191,100)
Accrued compensated absences, beginning of the year	409,806
Accrued compensated absences, end of the year	(418,599)
Accrued voluntary severance plan, beginning of the year	450,000
Accrued voluntary severance plan, end of the year	(300,000)

Change in net assets of governmental activities \$ 801,893

**GRAND LEDGE PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006**

	Private purpose	Agency
ASSETS		
Cash	\$ 71,918	\$ 291,490
	71,918	291,490
LIABILITIES AND FUND BALANCES		
Due to student groups	\$	\$ 291,490
Fund balances:		
Reserved for scholarships	71,918	
	71,918	291,490
TOTAL LIABILITIES AND FUND BALANCES	\$ 71,918	\$ 291,490
	71,918	291,490

**GRAND LEDGE PUBLIC SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2006**

	Private purpose
ADDITIONS:	
Interest earnings	\$ 1,916
 DEDUCTIONS:	
Scholarships awarded	4,453
CHANGE IN NET ASSETS	(2,537)
 NET ASSETS:	
Beginning of year	74,455
End of year	\$ 71,918

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Grand Ledge Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Grand Ledge Public Schools (the "District") is governed by the Grand Ledge Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements No. 14 and No. 39.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Continued)

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Other Non-major Funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service, athletic activities, community service and school store in the special revenue funds.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Concluded)

Other Non-major Funds (Concluded)

The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects funds* account for the receipt of sinking fund millage proceeds and the acquisition of fixed assets or construction of capital projects. The District has complied with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95 relating to sinking funds.

The *2005 land acquisition capital projects* accounts for the receipt of debt proceeds and the acquisition of land.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private purpose trust funds* account for funds entrusted to the District for scholarship awards and both the principal and interest may be spent. These funds are not reported in the District's government-wide financial statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2006, the foundation allowance was based on pupil membership counts taken in February and September of 2005.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2005 to August 2006. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2006, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General Fund - Non-homestead	18.0000
Debt service fund - Homestead and non-homestead	3.9000
Sinking fund - Homestead and non-homestead	0.9847

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

3. Inventories and prepaid expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

5. Capital assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Building and improvements	20 - 50 years
Buses and other vehicles	5 - 10 years
Equipment and furniture	5 - 20 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Concluded)

6. Compensated absences

The District's policies generally provide for granting vacation or sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates.

Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

4. The Chief Financial Officer is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2006. The District does not consider these amendments to be significant.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2006, the District had the following investments:

<u>Investment Type</u>	<u>Fair value</u>	<u>Weighted average maturity (years)</u>	<u>Rating</u>	<u>%</u>
MILAF External Investment pool - MIMAX	\$ 1,690,722	0.0027	AAAm	86%
MBIA	282,356	0.0027	AAA-V1	14%
Total fair value	<u>\$ 1,973,078</u>			<u>100.0%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2006, the fair value of the District's investments is the same as the value of the pool shares.

The other fund is MBIA. MBIA is also an external pooled investment fund of "qualified" investments for Michigan School Districts. MBIA is not regulated nor is it registered with the SEC. MBIA reports as of June 30, 2006, the fair value of the District's investments is the same as the value of the pooled shares.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2006, \$5,674,564 of the District's bank balance of \$5,826,150 was exposed to custodial credit risk because it was uninsured and uncollateralized. The above amounts include interest bearing accounts. The carrying amount on the financial statements is \$5,561,569.

Fiduciary fund balances are not included in the above balances. As of June 30, 2006 \$181,332 of the fiduciary fund's bank balance of \$370,968 was exposed to custodial credit risk because it was uninsured or uncollateralized. The bank balance includes approximately \$100,000 of certificates of deposit.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of \$363,408	\$ 5,924,977
Investments	1,973,078
	\$ 7,898,055

The above amounts are reported in the financial statements as follows:

Cash - Fiduciary funds	\$ 363,408
Cash - District wide	5,561,569
Investments - District wide	1,973,078
	\$ 7,898,055

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,095,788	\$ 3,248,440		\$ 4,344,228
Capital assets, being depreciated:				
Buildings and building improvements	75,176,449	371,312		75,547,761
Site improvements	622,549	22,944		645,493
Equipment, computers and furnishing	17,766,874	67,957		17,834,831
School buses	2,809,387	204,619		3,014,006
Vehicles	442,938		38,238	404,700
Total capital assets, being depreciated	96,818,197	666,832	38,238	97,446,791
Accumulated depreciation:				
Buildings and building improvements	17,280,294	1,326,130		18,606,424
Site improvements	70,114			70,114
Equipment, computers and furnishing	9,720,155	912,227		10,632,382
School buses	1,877,701	305,442	(38,238)	2,144,905
Vehicles	305,594			305,594
Total accumulated depreciation	29,253,858	2,543,799	(38,238)	31,759,419
Net capital assets being depreciated	67,564,339	(1,876,967)		65,687,372
Net governmental capital assets	\$ 68,660,127	\$ 1,371,473	\$	\$ 70,031,600

Depreciation for the fiscal year ended June 30, 2006 amounted to \$2,543,799. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - NOTE PAYABLE

At June 30, 2006, the District has a note payable outstanding of \$3,900,000. The note has an interest rate of 2.92% and matures August 18, 2006. The note is secured by the full faith and credit of the District as well as pledged state aid.

Balance June 30, 2005	Additions	Payments	Balance June 30, 2006
\$ 4,000,000	\$ 3,900,000	\$ 4,000,000	\$ 3,900,000

Subsequent to year-end, the District set aside an additional amount to pay off the note principal and related interest expense. The District has approved a note payable of \$4,750,000 for the fiscal year ending June 30, 2007.

NOTE 6 - LONG-TERM DEBT

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2006:

	Accumulated compensated absences	Accumulated severance benefits	Voluntary severance plan	Bonds and other debt	Total
Balance, July 1, 2005	\$ 409,806	\$ 197,161	\$ 450,000	\$ 55,056,912	\$ 56,113,879
Additions	8,793			3,248,763	3,257,556
Deletions		6,061	150,000	2,770,076	2,926,137
Balance, June 30, 2006	418,599	191,100	300,000	55,535,599	56,445,298
Less current portion	25,000	25,000	150,000	3,150,712	3,350,712
Total due after one year	\$ 393,599	\$ 166,100	\$ 150,000	\$ 52,384,887	\$ 53,094,586

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM DEBT (Continued)

Long-term obligation debt at June 30, 2006 is comprised of the following:

Serial bond due in annual installments of \$50,000 to \$3,050,000 from May 1, 2008 through May 1, 2024, interest at 2.75% to 5.00%.	\$ 31,235,000
School property acquisition bond due in annual installments of \$415,000 to \$490,000 through May 1, 2012, interest at 3.00% to 3.625%	2,710,000
Serial bond due in annual installments of \$330,000 to \$2,890,000 through May 1, 2011, interest at 5.05% to 5.45%.	9,195,000
Serial bond due in annual installments of \$5,000 to \$1,870,000 through May 1, 2014, interest at 3.40% to 4.75%.	10,480,000
Less: deferred amount on bond refunding	(1,225,713)
Plus: premium on bond refunding	<u>1,624,148</u>
	54,018,435
Limited Obligation (Durant) serial bonds due in annual installments of \$49,714 to \$216,454 through May 15, 2013; interest at 4.76% due annually.	<u>552,564</u>
Total bonded debt	<u>54,570,999</u>
Installment note payable due in annual installments of \$60,666 through July 25, 2009, interest at 2.64%	212,332
Installment note payable due in annual installments of \$34,464 through July 25, 2007, interest at 2.49%	51,696
Installment note payable due in annual installments of \$109,375 through November 1, 2011, interest at 3.53%	601,563
Installment note payable due in annual installments of \$24,753 through May 1, 2010, interest at 5.59%	99,009
Obligation under contract for compensated absences	418,599
Obligation under contract for severance benefits	191,100
Obligation under contract for voluntary severance payable	<u>300,000</u>
Total general long-term debt	<u><u>\$ 56,445,298</u></u>

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM DEBT (Concluded)

The Durant bonds, including interest, was issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

During the year, the District issued bonds of \$3,125,000 for the purchase of land and a long-term note payable of \$123,763 for the purchase of band uniforms.

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2006, \$82,195,000 of bonds outstanding are considered defeased.

The District has entered into voluntary termination benefit arrangements with certain employees. The original agreement provides for a total payment to each individual of \$25,000. This amount is paid out over 3 equal payments. There are currently 18 employees entitled to future payments. The liability has been recorded at the face amount, as the discounted present value approximates the face amount of the liability.

The annual requirement to amortize debt outstanding as of June 30, 2006, including interest payments of \$24,266,226 are as follows:

Year ending June 30,	Principal	Interest	Total
2007	\$ 3,150,712	\$ 2,644,747	\$ 5,795,459
2008	3,276,739	2,449,922	5,726,661
2009	3,576,875	2,320,516	5,897,391
2010	3,884,019	2,144,463	6,028,482
2011	4,171,532	1,953,388	6,124,920
2012-2016	13,482,287	7,520,047	21,002,334
2017-2021	14,970,000	4,375,143	19,345,143
2022-2024	8,625,000	858,000	9,483,000
	55,137,164	24,266,226	79,403,390
Deferred amount on bond refunding	(1,225,713)		(1,225,713)
Premium on bond refunding	1,624,148		1,624,148
Accumulated compensated absences	418,599		418,599
Accumulated severance benefits	191,100		191,100
Voluntary severance payable	300,000		300,000
	<u>\$ 56,445,298</u>	<u>\$ 24,266,226</u>	<u>\$ 80,711,524</u>

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2006 are as follows:

Receivable fund		Payable fund	
General	\$ 212,245	General	\$ 91,984
Special revenue	5,545	Special revenue	212,243
Debt service	69,002	Debt service	2
Capital projects	17,437	Capital projects	
	\$ 304,229		\$ 304,229

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPSERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPSERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPSERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Concluded)

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2006, was 14.87% of payroll through September 30, 2005 and increased to 16.34% for October 1, 2005 through June 30, 2006. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2006, 2005, and 2004 were \$4,181,927, \$3,663,310 and \$3,379,127, respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including property and casualty errors and omissions, fleet and employee health and accident insurance.

NOTE 10 - TRANSFERS

The general fund transferred \$708,475 to the athletic fund and the school store fund transferred \$2,000 to the general fund during the current fiscal year. The transfer to the athletic fund was to cover the expenditures in excess of revenues. The transfer from the school store fund to the general fund was to reimburse expenditures. The sinking fund transferred \$488,684 to the 2005 land acquisition debt service fund. This is an annual transfer.

NOTE 11 - OPERATING LEASES

The District leases copiers under an operating lease agreement expiring July 2008. Minimum rental commitments at June 30, 2006 for all non-cancelable operating leases are as follows:

Year ending June 30,	
2007	\$ 81,788
2008	3,992
	<u>\$ 85,780</u>

REQUIRED SUPPLEMENTARY INFORMATION

**GRAND LEDGE PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2006**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES:				
Local	\$ 7,067,676	\$ 7,553,780	\$ 7,602,228	\$ 48,448
State sources	30,517,782	31,406,628	31,458,865	52,237
Federal sources	804,945	787,298	717,569	(69,729)
Incoming transfers and other transactions	689,831	1,808,033	1,796,588	(11,445)
Total revenues	<u>39,080,234</u>	<u>41,555,740</u>	<u>41,575,250</u>	<u>19,510</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	18,155,090	18,917,876	18,945,974	(28,098)
Added needs	5,931,551	6,310,650	6,139,295	171,355
Adult and community education	233,413	234,029	225,061	8,968
Total instruction	<u>24,320,054</u>	<u>25,462,555</u>	<u>25,310,330</u>	<u>152,225</u>
Support services:				
Pupil	840,015	1,238,005	1,202,921	35,084
Instructional staff	1,122,467	1,152,421	1,130,372	22,049
General administration	474,237	494,099	517,890	(23,791)
School administration	2,606,003	2,760,603	2,714,372	46,231
Business	600,616	597,360	582,809	14,551
Operations and maintenance	4,497,160	4,910,531	4,798,493	112,038
Transportation	1,979,236	2,312,005	2,345,010	(33,005)
Central and technology	896,942	1,000,983	960,509	40,474
Total support services	<u>13,016,676</u>	<u>14,466,008</u>	<u>14,252,376</u>	<u>213,632</u>
Outgoing transfers and other transactions	1,624,921	1,908,684	1,724,953	183,731
Total expenditures	<u>38,961,651</u>	<u>41,837,246</u>	<u>41,287,659</u>	<u>549,587</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>118,583</u>	<u>(281,506)</u>	<u>287,591</u>	<u>569,097</u>
OTHER FINANCING SOURCES (USES):				
Loan proceeds		123,763	123,763	
Operating transfers in			2,000	2,000
Operating transfers out	(708,475)	(708,475)	(708,475)	
Sale of capital assets	250,000		4,278	4,278
Total other financing sources (uses)	<u>(458,475)</u>	<u>(584,712)</u>	<u>(578,434)</u>	<u>6,278</u>
NET CHANGE IN FUND BALANCE	<u>\$ (339,892)</u>	<u>\$ (866,219)</u>	<u>(290,843)</u>	<u>\$ 575,376</u>
FUND BALANCE:				
Beginning of year			<u>3,736,952</u>	
End of year			<u>\$ 3,446,109</u>	

ADDITIONAL INFORMATION

**GRAND LEDGE PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2006**

	Special revenue	Debt service	Capital projects	Total nonmajor governmental funds
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 379,278	\$ 965,494	\$ 906,336	\$ 2,251,108
Receivables:				
Tax receivable		16,468	5,758	22,226
Due from other funds	5,545	69,002	17,437	91,984
Other	34,430			34,430
Inventories	23,800			23,800
Prepaid expenses	80,000			80,000
	\$ 523,053	\$ 1,050,964	\$ 929,531	\$ 2,503,548
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 25,614	\$	\$	\$ 25,614
Accrued salaries and related items	25,420			25,420
Deferred revenue	22,063	14,345	5,758	42,166
Accrued interest		335		335
Due to other funds	212,243	2		212,245
	285,340	14,682	5,758	305,780
FUND BALANCES:				
Reserved for debt service		1,036,282		1,036,282
Reserved for prepaid expenditures	80,000			80,000
Reserved for inventories	23,800			23,800
Designated for subsequent year's expenditures			923,773	923,773
Undesignated	133,913			133,913
	237,713	1,036,282	923,773	2,197,768
TOTAL LIABILITIES AND FUND BALANCES	\$ 523,053	\$ 1,050,964	\$ 929,531	\$ 2,503,548

GRAND LEDGE PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2006

	<u>Special revenue</u>	<u>Debt service</u>	<u>Capital fund</u>	<u>Total nonmajor governmental funds</u>
REVENUES:				
Local sources:				
Property taxes	\$	\$ 4,617,296	\$ 1,148,379	\$ 5,765,675
Investment income	17,191	1,774	36,079	55,044
Other	1,911,150		1,200	1,912,350
Total local sources	1,928,341	4,619,070	1,185,658	7,733,069
State sources	70,864	65,716		136,580
Federal sources	414,162			414,162
Total revenues	2,413,367	4,684,786	1,185,658	8,283,811
EXPENDITURES:				
Current :				
Athletics	1,047,116			1,047,116
Food service	1,656,763			1,656,763
Community service	400,869			400,869
School store	37,960			37,960
Capital outlay			3,671,435	3,671,435
Debt service:				
Principal retirement		2,520,297	109,375	2,629,672
Interest and fiscal charges		2,609,303	24,131	2,633,434
Total expenditures	3,142,708	5,129,600	3,804,941	12,077,249
DEFICIENCY OF REVENUES OVER EXPENDITURES	(729,341)	(444,814)	(2,619,283)	(3,793,438)
OTHER FINANCING SOURCES (USES):				
Proceeds from bonded debt			3,125,000	3,125,000
Bond issuance costs			(26,295)	(26,295)
Operating transfers in	708,475	488,684		1,197,159
Operating transfers out	(2,000)		(488,684)	(490,684)
Total other financing sources	706,475	488,684	2,610,021	3,805,180
NET CHANGE IN FUND BALANCES	(22,866)	43,870	(9,262)	11,742
FUND BALANCES:				
Beginning of year	260,579	992,412	933,035	2,186,026
End of year	\$ 237,713	\$ 1,036,282	\$ 923,773	\$ 2,197,768

**GRAND LEDGE PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2006**

	<u>Food service fund</u>	<u>Athletics fund</u>	<u>Community service fund</u>	<u>School store</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 130,514	\$ 239,626	\$	\$ 9,138	\$ 379,278
Accounts receivable	23,620		10,810		34,430
Inventory	18,399			5,401	23,800
Prepaid expense	80,000				80,000
Due from other funds			5,545		5,545
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 252,533</u>	<u>\$ 239,626</u>	<u>\$ 16,355</u>	<u>\$ 14,539</u>	<u>\$ 523,053</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 24,675	\$ 906	\$ 33	\$	\$ 25,614
Accrued salaries and related items		13,725	11,695		25,420
Deferred revenue	22,063				22,063
Due to other funds	134,400	77,785		58	212,243
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	181,138	92,416	11,728	58	285,340
Fund balances	71,395	147,210	4,627	14,481	237,713
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 252,533</u>	<u>\$ 239,626</u>	<u>\$ 16,355</u>	<u>\$ 14,539</u>	<u>\$ 523,053</u>

**GRAND LEDGE PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006**

	Food service fund	Athletics fund	Community service fund	School store	Total
REVENUES:					
Sale of lunches and milk	\$ 1,192,426	\$	\$	\$	\$ 1,192,426
Federal aid	414,162				414,162
State aid	70,864				70,864
Interest	16,020	1,074		97	17,191
Athletic events		287,197			287,197
Tuition and other			391,093		391,093
Bookstore sales				40,434	40,434
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	1,693,472	288,271	391,093	40,531	2,413,367
EXPENDITURES:					
Salaries and wages	428,986	584,772	215,357		1,229,115
Employee benefits	147,227	126,485	93,275		366,987
Supplies and other expenses	253,139	335,859	92,237	13,231	694,466
Food costs	708,010			24,729	732,739
Capital outlay	15,952				15,952
Indirect costs	103,449				103,449
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	1,656,763	1,047,116	400,869	37,960	3,142,708
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	36,709	(758,845)	(9,776)	2,571	(729,341)
OTHER FINANCING SOURCES (USES):					
Operating transfers in		708,475			708,475
Operating transfers out				(2,000)	(2,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)		708,475		(2,000)	706,475
NET CHANGE IN FUND BALANCES	36,709	(50,370)	(9,776)	571	(22,866)
FUND BALANCES, beginning of year	34,686	197,580	14,403	13,910	260,579
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES, end of year	<u>\$ 71,395</u>	<u>\$ 147,210</u>	<u>\$ 4,627</u>	<u>\$ 14,481</u>	<u>\$ 237,713</u>

**GRAND LEDGE PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2006**

ASSETS	1973	1994	1995	1999	2005	2005 land acquisition	1998 Durant	Total
Cash and cash equivalents	\$	\$	\$ 181,952	\$ 469,699	\$ 310,111	\$ 3,732	\$	\$ 965,494
Tax receivable			6,583	7,390	2,495			16,468
Due from other funds			11,499	35,387	22,116			69,002
TOTAL ASSETS	\$	\$	\$ 200,034	\$ 512,476	\$ 334,722	\$ 3,732	\$	\$ 1,050,964
LIABILITIES AND FUND BALANCES								
Liabilities:								
Due to other funds	\$	\$	\$	\$ 2	\$	\$	\$	\$ 2
Other			120	185	30			335
Deferred taxes			4,747	7,103	2,495			14,345
Total liabilities			4,867	7,290	2,525			14,682
Fund balances:								
Reserved for debt service			195,167	505,186	332,197	3,732		1,036,282
TOTAL LIABILITIES AND FUND BALANCES	\$	\$	\$ 200,034	\$ 512,476	\$ 334,722	\$ 3,732	\$	\$ 1,050,964

**GRAND LEDGE PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006**

	1973	1994	1995	1999	2005	2005 land acquisition	1998 Durant	Total
REVENUES:								
Local sources:								
Current taxes	\$	\$	\$ 712,093	\$ 2,316,804	\$ 1,588,399	\$	\$	\$ 4,617,296
Interest on investments		813				961		1,774
State sources							65,716	65,716
Total revenues		813	712,093	2,316,804	1,588,399	961	65,716	4,684,786
EXPENDITURES:								
Redemption of bonds			315,000	1,745,000		415,000	45,297	2,520,297
Interest on bonds			505,940	537,120	1,471,210	70,671	20,419	2,605,360
Other debt retirement expenses	91	1,963	701	655	291	242		3,943
Total expenditures	91	1,963	821,641	2,282,775	1,471,501	485,913	65,716	5,129,600
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(91)	(1,150)	(109,548)	34,029	116,898	(484,952)		(444,814)
OTHER FINANCING SOURCES:								
Interfund transfer		(103,217)			103,217			
Operating transfer in						488,684		488,684
Total other financing sources		(103,217)			103,217	488,684		488,684
NET CHANGE IN FUND BALANCES	(91)	(104,367)	(109,548)	34,029	220,115	3,732		43,870
FUND BALANCES, beginning of year	91	104,367	304,715	471,157	112,082			992,412
FUND BALANCES, end of year	\$	\$	\$ 195,167	\$ 505,186	\$ 332,197	\$ 3,732	\$	\$ 1,036,282

**GRAND LEDGE PUBLIC SCHOOLS
CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2006**

	Capital projects sinking fund	2005 land acquisition fund	Total
ASSETS			
ASSETS:			
Cash and cash equivalents	\$ 906,336	\$	\$ 906,336
Receivables:			
Tax receivable	5,758		5,758
Due from other funds	17,437		17,437
TOTAL ASSETS	\$ 929,531	\$	\$ 929,531
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Deferred revenue	\$ 5,758	\$	\$ 5,758
FUND BALANCES:			
Designated for subsequent year's expenditures	923,773		923,773
TOTAL LIABILITIES AND FUND BALANCES	\$ 929,531	\$	\$ 929,531

**GRAND LEDGE PUBLIC SCHOOLS
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006**

	<u>Capital projects sinking fund</u>	<u>2005 land acquisition fund</u>	<u>Total</u>
REVENUES:			
Local sources:			
Property taxes	\$ 1,148,379	\$	\$ 1,148,379
Investment income	34,545	1,534	36,079
Other	1,200		1,200
	<u>1,184,124</u>	<u>1,534</u>	<u>1,185,658</u>
Total revenues			
EXPENDITURES:			
Current :			
Capital outlay	619,880	3,051,555	3,671,435
Debt service:			
Principal retirement	109,375		109,375
Interest and fiscal charges	24,131		24,131
	<u>753,386</u>	<u>3,051,555</u>	<u>3,804,941</u>
Total expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>430,738</u>	<u>(3,050,021)</u>	<u>(2,619,283)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from bonded debt		3,125,000	3,125,000
Bond issuance costs		(26,295)	(26,295)
Operating transfers out	(440,000)	(48,684)	(488,684)
	<u>(440,000)</u>	<u>3,050,021</u>	<u>2,610,021</u>
Total other financing sources (uses)			
NET CHANGE IN FUND BALANCES	(9,262)		(9,262)
FUND BALANCES:			
Beginning of year	<u>933,035</u>		<u>933,035</u>
End of year	<u>\$ 923,773</u>	<u>\$</u>	<u>\$ 923,773</u>

**GRAND LEDGE PUBLIC SCHOOLS
 AGENCY FUNDS
 (INTERNAL FUNDS)
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
 AND LIABILITIES BY ACTIVITY
 YEAR ENDED JUNE 30, 2006**

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
High School:				
AAU sports	\$ 5	\$	\$	\$ 5
AP English	173	478		651
AP testing				
Art Fund	1,042	3,175	3,169	1,048
Art Club		390	390	
Auditorium	3,769	345		4,114
Auto Shop	781	288	288	781
Auto Shop - Jerry Meridith	358			358
Band (camp)	(1,249)	65,755	41,987	22,519
Band (general)	8,224	37,837	36,901	9,160
Band uniform fund	8,427	6,565	9,513	5,479
Change	163	391	277	277
Cheerleaders	276			276
Choir	9,218	11,675	13,852	7,041
Class of 1982	3,636			3,636
Class of 1993	1,487			1,487
Class of 1994	1,245			1,245
Class of 1996	20			20
Class of 1998	1,317			1,317
Class of 1999	3,399			3,399
Class of 2001	2,038			2,038
Class of 2002	4,832			4,832
Class of 2003	3,467			3,467
Class of 2004	3,947			3,947
Class of 2005	1,143			1,143
Class of 2006	94	29,138	24,281	4,951
Class of 2007	6,041	19,810	21,962	3,889
Class of 2008	2,636	1,347	1,603	2,380
Class of 2009		11,705	6,778	4,927

**GRAND LEDGE PUBLIC SCHOOLS
AGENCY FUNDS
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2006**

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
High School (Continued):				
Comets tale	\$ 563	\$ 5,458	\$ 5,360	\$ 661
Computer club				
Debate club	100	120	80	140
Drafting	287	655	689	253
Drama	1,373	985	845	1,513
Ecology club	34	525		559
First robotics	2,581	1,000	3,581	
Foreign exchange	187			187
Forensics	273	5,945	6,283	(65)
French club	1,312	3,358	4,224	446
General fund account	154	4,108	3,831	431
German club	4,071	4,820	3,769	5,122
Girls Tennis		2,350	1,442	908
Girls Soccer		3,695	2,950	745
Girls golf	132			132
Guidance/scholarship	485	11,760	11,687	558
Habitat for Humanity	1,100	2,107	2,798	409
Honor Society	1,007	3,521	3,730	798
Indoor track club	75		75	
Intramurals				
Latino club	139			139
Library	5,051	1,508	3,460	3,099
Machine shop	226			226
Men's cross	2,982	1,086	323	3,745
News		1,450	50	1,400
PALS	8,109	5,010	4,448	8,671
Parking fund	139	2,834	314	2,659
Photo club	33	4,074	4,107	
Physics class	875	5,670	5,330	1,215
Pottery fund	137	160	166	131
Quiz Bowl	2,474	695	805	2,364
Raze	90			90

**GRAND LEDGE PUBLIC SCHOOLS
AGENCY FUNDS
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2006**

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
High School (Concluded):				
Rotary	\$ 522	\$ 902	\$ 974	\$ 450
S.A.D.D.	1,315	2,058	2,658	715
Sign fund	22,000			22,000
Science Olympiad	2			2
Ski club	995	21,873	21,718	1,150
Soccer club	185	5,773	5,696	262
Softball club	216	648	661	203
Spanish club	11			11
Spring play	2,369	3,673	106	5,936
Student council	3,394	10,943	12,106	2,231
Swimming	105			105
Teacher pop fund	546	540	548	538
Thespian club	12,925	57,069	51,178	18,816
Track club - boys	88		5	83
Track club - girls	19			19
Year book	9,385	20,370	24,156	5,599
Women's cross	36	1,028	918	146
Wrestling club	6			6
Middle School:				
Beagle band	222	11,679	11,247	654
Beagle general account	19,615	33,544	29,865	23,294
Beagle student council	7,496	8,193	11,465	4,224
Beagle teacher pop fund	1,820	796	822	1,794
Hayes band	1,081	20,154	18,198	3,037

**GRAND LEDGE PUBLIC SCHOOLS
AGENCY FUNDS
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2006**

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Middle School (Concluded):				
Hayes bowling	\$ 185	\$ 1,975	\$ 2,160	\$ 951
Hayes general account	1,630	12,172	12,851	951
Hayes choir	305		305	
Hayes shop	69			69
Hayes encore	5,008	1,941	1,332	5,617
Hayes eighth grade camp	453	5,012	4,955	510
Hayes phys ed donation	3			3
Hayes pom pon's	116			116
Hayes seventh grade camp	1,433	3,150	3,357	1,226
Hayes sixth grade camp	2,611	4,125	4,851	1,885
Hayes ski club	1,125	21,982	22,765	342
Hayes student council	2,533	3,540	4,040	2,033
Hayes teacher pop fund	620	768	591	797
Volleyball project	1,875			1,875
Elementary schools:				
Delta Center general account	1,045	612	1,275	382
Delta Center teacher pop fund	2,071	1,224	1,583	1,712
Greenwood 5th grade trip	27			27
Greenwood general account	666	865	115	1,416
Greenwood literacy	1,578	2,088	1,675	1,991
Greenwood student council	55			55
Greenwood teacher pop fund	1,098	967	901	1,164
Greenwood United Way	526	1,648	415	1,759
Willow Ridge teacher pop fund	1,757	2,886	2,884	1,759
Willow Ridge fifth grade	4			4

**GRAND LEDGE PUBLIC SCHOOLS
AGENCY FUNDS
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2006**

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Elementary schools (Concluded):				
Willow Ridge	\$ (22)	\$ 17		\$ (5)
Willow Ridge library	2,565	10,888	11,526	1,927
Willow Ridge student council	1,147	5,308	5,865	590
Holbrook	5,454	6,975	9,485	2,944
Holbrook PTA Principal		2,314	2,308	6
Holbrook - Wal-Mart		138		138
Holbrook Social		504	604	(100)
Holbrook PTA		4,090	3,316	774
Holbrook - Early		956	929	27
Holbrook 5th grade		2,613	2,393	220
Holbrook Library		6,485	4,300	2,185
Holbrook teachers account	2,791	1,141	649	3,283
Neff general account	2,470	9,258	10,484	1,244
Neff student council	1			1
Neff student store	607	310	708	209
Neff teacher pop fund	719	904	788	835
Destination	30			30
Special education concession	162			162
Wacousta 5th grade	(8)			(8)
Wacousta general account	1			1
Wacousta's outdoor class	299			299
Wacousta's teacher pop fund	(64)	751	715	(28)
Central office and other:				
Interest and miscellaneous	10,813	6,269	5,904	11,178
Pop fund	1,308	612	1,105	815
Sawdon High School Paint Ball		358	155	203
MSBO Golf		3,039		3,039
Special Ed.	9,113	2,065	4,286	6,892
Adult Ed. - Saginaw	284	233	247	270
Sawdon High School	5,283	2,907	1,722	6,468
	<u>\$ 254,577</u>	<u>\$ 594,125</u>	<u>\$ 557,212</u>	<u>\$ 291,490</u>

**GRAND LEDGE PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - 2005 DEBT
JUNE 30, 2006**

\$31,235,000 Bonds issued February 1, 2005:

Interest due		Principal due May 1,	Debt service requirement for fiscal year	
May 1,	November 1,		June 30,	Amount
\$ 735,605	\$ 735,605	\$	2007	\$ 1,471,210
735,605	735,605	50,000	2008	1,521,210
734,918	734,917	100,000	2009	1,569,835
733,418	733,417	100,000	2010	1,566,835
731,918	731,917	100,000	2011	1,563,835
730,293	730,292	530,000	2012	1,990,585
721,018	721,017	600,000	2013	2,042,035
709,018	709,017	685,000	2014	2,103,035
695,318	695,317	2,670,000	2015	4,060,635
628,568	628,567	2,805,000	2016	4,062,135
574,571	574,571	2,915,000	2017	4,064,142
517,000	517,000	3,030,000	2018	4,064,000
441,250	441,250	3,050,000	2019	3,932,500
365,000	365,000	3,010,000	2020	3,740,000
289,750	289,750	2,965,000	2021	3,544,500
215,625	215,625	2,920,000	2022	3,351,250
142,625	142,625	2,875,000	2023	3,160,250
70,750	70,750	2,830,000	2024	2,971,500
<u>\$ 9,772,250</u>	<u>\$ 9,772,242</u>	<u>\$ 31,235,000</u>		<u>\$ 50,779,492</u>

The above bonds have interest rates from 2.75% to 5.00%. The bond proceeds were used to refinance a portion of the 1995 bond issue.

Original Issue	Amount Outstanding
<u>\$ 31,325,000</u>	<u>\$ 31,235,000</u>

GRAND LEDGE PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - 2005 DEBT
JUNE 30, 2006

\$3,125,000 bonds issued August 23, 2005 for the purpose of acquiring property, developing and improving the site.

<u>Interest due</u>		Principal due May 1,	<u>Debt service requirement for fiscal year</u>	
<u>May 1,</u>	<u>November 1,</u>		<u>June 30,</u>	<u>Amount</u>
\$ 45,069	\$ 45,069	\$ 415,000	2007	\$ 505,138
38,844	38,844	430,000	2008	507,688
32,394	32,394	440,000	2009	504,788
25,244	25,244	460,000	2010	510,488
17,194	17,194	475,000	2011	509,388
8,881	8,881	490,000	2012	507,762
<u>\$ 167,626</u>	<u>\$ 167,626</u>	<u>\$ 2,710,000</u>		<u>\$ 3,045,252</u>

The above bonds have interest rates from 3.00% to 3.625%.

GRAND LEDGE PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - 1995
JUNE 30, 2006

\$43,280,000 Bonds issued November 1, 1995 for the purpose of erecting, furnishing and equipping additions to, and partially remodel and re-equip the Sawdon School for Board of Education, administrative, adult education, and community use and the Grand Ledge High School facility and develop and improve the outdoor athletic facilities; to construct and equip a district-wide operations facility and purchase and install technology systems and equipment for the above stated school facilities and improve the sites.

The maturity amount of the original issue was \$43,280,000 of which \$31,370,000 was defeased upon issuance of the 2005 refunding bonds. The portion of the bond issue that was not defeased and remains outstanding consists of the following:

<u>Interest due</u>		Principal due May 1,	<u>Debt service requirement for fiscal year</u>	
<u>May 1,</u>	<u>November 1,</u>		<u>June 30,</u>	<u>Amount</u>
\$ 245,174	\$ 245,173	\$ 330,000	2007	\$ 820,347
236,841	236,841	350,000	2008	823,682
227,829	227,828	2,785,000	2009	3,240,657
154,723	154,722	2,840,000	2010	3,149,445
78,753	78,752	2,890,000	2011	3,047,505
<u>\$ 943,320</u>	<u>\$ 943,316</u>	<u>\$ 9,195,000</u>		<u>\$ 11,081,636</u>

The above bonds have interest rates from 5.05% to 5.45%.

**GRAND LEDGE PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - 1999
JUNE 30, 2006**

\$16,860,000 bonds issued May 1, 1999 for the purpose of refunding the 1994 bonds.

<u>Interest due</u>		<u>Principal due May 1,</u>	<u>Debt service requirement for fiscal year</u>	
<u>May 1,</u>	<u>November 1,</u>		<u>June 30,</u>	<u>Amount</u>
\$ 233,660	\$ 233,660	\$ 1,960,000	2007	\$ 2,427,320
193,480	193,480	2,185,000	2008	2,571,960
148,141	148,141	5,000	2009	301,282
148,034	148,034	265,000	2010	561,068
142,138	142,137	540,000	2011	824,275
129,853	129,852	1,810,000	2012	2,069,705
87,770	87,770	1,845,000	2013	2,020,540
44,413	44,412	1,870,000	2014	1,958,825
<u>\$ 1,127,489</u>	<u>\$ 1,127,486</u>	<u>\$ 10,480,000</u>		<u>\$ 12,734,975</u>

The above bonds have interest rates from 3.40% to 4.75%.

**GRAND LEDGE PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - 1998 DURANT
JUNE 30, 2006**

\$935,814 Durant Bond – issued on November 24, 1998

Principal due May 15,	Interest due May 15,	Debt service requirement for fiscal year	
		June 30,	Amount
\$ 216,454	\$ 93,649	2007	\$ 310,103
49,714	16,003	2008	65,717
52,081	16,636	2009	68,717
54,558	11,157	2010	65,715
57,157	8,559	2011	65,716
59,875	5,837	2012	65,712
62,725	2,987	2013	65,712
<u>\$ 552,564</u>	<u>\$ 154,828</u>		<u>\$ 707,392</u>

This bond is not subject to redemption prior to maturity by the District and the District hereby covenants that it will not issue any other bonds or obligations for the purpose of refunding this bond. The 4.76% interest rates payable on this bond may be adjusted in the sole discretion of the Authority provided that no interest rate shall exceed the maximum rate permitted by law and no interest rate adjustment which causes the total interest payable on this bond to increase shall be permitted.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the District (the "State Aid Payments"). The District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the District and does not constitute an indebtedness of the District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's depository.

**GRAND LEDGE PUBLIC SCHOOLS
SCHEDULE OF INSTALLMENT NOTE PAYABLE
JUNE 30, 2006**

\$363,998 installment note payable dated January 2004 for bus purchases.

Principal due July 25,	Principal due January 25,	Interest July 25,	Interest due January 25,	Debt service requirement for fiscal year	
				June 30,	Amount
\$ 30,333	\$ 30,333	\$ 2,803	\$ 2,402	2007	\$ 65,871
30,333	30,333	2,002	1,602	2008	64,270
30,333	30,333	1,201	801	2009	62,668
30,334		400		2010	30,734
<u>\$ 121,333</u>	<u>\$ 90,999</u>	<u>\$ 6,406</u>	<u>\$ 4,805</u>		<u>\$ 223,543</u>

The above note has an interest rate of 2.64%.

**GRAND LEDGE PUBLIC SCHOOLS
SCHEDULE OF INSTALLMENT NOTE PAYABLE
JUNE 30, 2006**

\$137,855 installment note payable dated January 2004 for copiers.

Principal due July 25,	Principal due January 25,	Interest July 25,	Interest due January 25,	Debt service requirement for fiscal year	
				June 30,	Amount
\$ 17,232	\$ 17,232	\$ 644	\$ 429	2007	\$ 35,537
17,232		215		2008	17,447
<u>\$ 34,464</u>	<u>\$ 17,232</u>	<u>\$ 859</u>	<u>\$ 429</u>		<u>\$ 52,984</u>

The above note has an interest rate of 2.49%.

**GRAND LEDGE PUBLIC SCHOOLS
SCHEDULE OF INSTALLMENT NOTE PAYABLE
JUNE 30, 2006**

\$875,000 installment note payable dated May 2004 for the purchase of land.

Principal due November 1,	Principal due May 1,	Interest November 1,	Interest due May 1,	Debt service requirement for fiscal year	
				June 30,	Amount
\$ 54,687	\$ 54,688	\$ 10,618	\$ 9,652	2007	\$ 129,645
54,687	54,688	8,687	7,722	2008	125,784
54,687	54,688	6,757	5,791	2009	121,923
54,687	54,688	4,826	3,861	2010	118,062
54,687	54,688	2,896	1,930	2011	114,201
54,688		965		2012	55,653
<u>\$ 328,123</u>	<u>\$ 273,440</u>	<u>\$ 34,749</u>	<u>\$ 28,956</u>		<u>\$ 665,268</u>

The above note has an interest rate of 3.53%.

**GRAND LEDGE PUBLIC SCHOOLS
SCHEDULE OF INSTALLMENT NOTE PAYABLE
JUNE 30, 2006**

\$123,763 installment note payable dated March 2006 for the purchase of band uniforms.

Principal due May 1,	Interest due May 1,	Debt service requirement for fiscal year	
		June 30,	Amount
\$ 24,753	\$ 5,534	2007	\$ 30,287
24,752	4,151	2008	28,903
24,752	2,767	2009	27,519
24,752	1,383	2010	26,135
\$ 99,009	\$ 13,835		\$ 112,844

The above note has an interest rate of 5.59%.

GRAND LEDGE PUBLIC SCHOOLS
ADDITIONAL REPORTS REQUIRED BY
OMB CIRCULAR A-133
YEAR ENDED JUNE 30, 2006

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Lamonte T. Lator
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James E. Nyquist
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Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
Grand Ledge Public Schools
Grand Ledge, Michigan

August 14, 2006

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grand Ledge Public Schools as of and for the year ended June 30, 2006, which collectively comprise Grand Ledge Public School's basic financial statements and have issued our report thereon dated August 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grand Ledge Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the Board of Education
Grand Ledge Public Schools

August 14, 2006

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grand Ledge Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Grand Ledge Public Schools in a separate letter dated August 14, 2006.

This report is intended solely for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Mamer, Costeusan & Ellis, P.C." The signature is written in a cursive style.

Certified Public Accountants



Lamonte T. Lator
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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Grand Ledge Public Schools
Grand Ledge, Michigan

August 14, 2006

Compliance

We have audited the compliance of Grand Ledge Public Schools with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2006. Grand Ledge Public Schools' major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Grand Ledge Public Schools' management. Our responsibility is to express an opinion on Grand Ledge Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Grand Ledge Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Grand Ledge Public Schools' compliance with those requirements.

In our opinion, Grand Ledge Public Schools complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.



Internal Control Over Compliance

The management of Grand Ledge Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Grand Ledge Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grand Ledge Public Schools as of and for the year ended June 30, 2006, and have issued our report thereon dated August 14, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Grand Ledge Public Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

**GRAND LEDGE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 6/30/2005	Prior year expenditures (memorandum only)	Current year receipts (cash basis)	Current year expenditures	Accrued (deferred) revenue 6/30/2006
<u>U.S. Department of Agriculture:</u>								
Passed through Michigan Department of Education:								
Child nutrition cluster:								
National School Lunch Program - Section 4	10.555	051950	\$ 88,882	\$	\$ 78,908	\$ 9,974	\$ 9,974	\$
National School Lunch Program - Section 4		061950	82,945			82,945	82,945	
National School Lunch Program - Section 11		051960	184,139		162,336	21,803	21,803	
National School Lunch Program - Section 11		061960	189,432			189,432	189,432	
			<u>545,398</u>		<u>241,244</u>	<u>304,154</u>	<u>304,154</u>	
National School Lunch Program - Breakfast	10.553	051970	22,943		21,065	1,878	1,878	
National School Lunch Program - Breakfast		061970	22,470			22,470	22,470	
			<u>45,413</u>		<u>21,065</u>	<u>24,348</u>	<u>24,348</u>	
Total child nutrition cluster			<u>590,811</u>		<u>262,309</u>	<u>328,502</u>	<u>328,502</u>	
National School Lunch Program - Commodities:								
Entitlement:								
Entitlement	10.550		78,383			78,383	78,383	
Bonus			7,278			7,278	7,278	
			<u>85,661</u>			<u>85,661</u>	<u>85,661</u>	
Total U.S. Department of Agriculture			<u>676,472</u>		<u>262,309</u>	<u>414,163</u>	<u>414,163</u>	
<u>U.S. Department of Education:</u>								
Passed through Michigan Department of Education:								
ABE Section 306 Instruction	84.002	51130510715	41,700	9,877	41,700	9,877		
		61130610716	33,400			33,400	33,400	
			<u>75,100</u>	<u>9,877</u>	<u>41,700</u>	<u>43,277</u>	<u>33,400</u>	

The accompanying notes are an integral part of this schedule.

**GRAND LEDGE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 6/30/2005	Prior year expenditures (memorandum only)	Current year receipts (cash basis)	Current year expenditures	Accrued (deferred) revenue 6/30/2006
<u>U.S. Department of Education (Concluded):</u>								
Passed through Michigan Department of Education (Concluded):								
Title 1	84.010	0515300405	\$ 387,617	\$ 50,998	\$ 387,617	\$ 50,998	\$	\$
		0515300506	43,652			43,652	43,652	
		0615300506	431,269			344,420	395,164	50,744
			862,538	50,998	387,617	439,070	438,816	50,744
Technology literacy challenge grants	84.318	0442900405	10,013		10,013			
		0542900405	10,960		10,960			
		0642900506	8,046			4,000	4,000	
			29,019		20,973	4,000	4,000	
Improving teacher quality	84.367	0505200405	148,186	9,883	148,186	9,883		
		0505200506	11,210			11,210	11,210	
		0605200506	157,649			81,697	141,963	60,266
			317,045	9,883	148,186	102,790	153,173	60,266
Passed through the Eaton Intermediate School District IDEA (Special Ed)	84.027A	0604450	84,550			84,385	84,385	
Passed through Grand Valley State University IDEA Part B MAP	84.027A		2,000			2,000	2,000	
Total U.S. Department of Education			1,370,252	70,758	598,476	675,522	715,774	111,010
<u>U.S. Department of Homeland Security:</u>								
Passed through Michigan Department of State Police: State Homeland Security Grant	97.004		13,340			13,340	1,795	(11,545)
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$2,060,064	\$ 70,758	\$ 860,785	\$ 1,103,025	\$1,131,732	\$ 99,465

The accompanying notes are an integral part of this schedule.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Grand Ledge Public Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Title I, CFDA #84.010 was audited as a major program and represents 39% of expenditures.
2. The threshold for distinguishing Type A and B programs was \$300,000.
3. Expenditures on this schedule reconcile with amounts reported in the financial statements and financial reports submitted to the Michigan Department of Education.
4. Management has utilized the R7120, Grant Section Auditors' Report, in preparing the schedule of expenditures of federal awards.
5. The amounts reported on the Receipt Entitlement Balance Report agree with this schedule for USDA donated food commodities.
6. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$	717,569
Special revenue fund		414,162
		414,162
	\$	1,131,731

**GRAND LEDGE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

➤ Material weakness(es) identified? _____ Yes X No

➤ Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

➤ Material weakness(es) identified: _____ Yes X No

➤ Reportable condition(s) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of auditors' report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

**GRAND LEDGE PUBLIC SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

There were no prior year audit findings for the year ended June 30, 2005.



Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raeck
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

August 14, 2006

To the Board of Education
Grand Ledge Public Schools
Grand Ledge, Michigan

In planning and performing our audit of the financial statements of Grand Ledge Public Schools for the year ended June 30, 2006, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated August 14, 2006, on the financial statements of Grand Ledge Public Schools.

PRIOR YEAR COMMENTS:

Information Technology Review

As part of our audit, we performed a review of the District's information technology system. As a result of this review, we had several suggestions that we discussed with the District's personnel. The suggestions addressed were in the areas of offsite backup, disaster recovery plan, strategic plan, computer replacement, password change policy, record retention policy, accounting application and professional development.

Status

We understand that there has been some turnover in this area and understand that the district is still working on this area.

PRIOR YEAR COMMENTS RESOVLED:

The remainder of our comments we made to the Grand Ledge Board of Education in our letter dated August 17, 2005 have been addressed by the business office and have been resolved during the current year.

CURRENT YEAR COMMENTS:

Budget Enforcement by the Michigan Department of Education

The Michigan Department of Education is changing their enforcement and monitoring of budget violations. They are currently focusing on total expenditures violations that exceed 1% of the total expenditures budget and total other financing uses that exceed 1% of the total other financing uses budget. The Department of Education will be issuing letters to school board presidents, the superintendent and the chief business official when they identify these types of violations.

Currently identified violations of the Act include, but are not limited to:

- Incurring expenditures in excess of the appropriation approved by the school board (Overspending your budget by line item).
- Ending the fiscal year with a deficit (negative fund balance).
- Adopting a budget that, when implemented, would put the district in a deficit.

The Department is also currently reviewing their interpretation of Section 17(2). This would be a situation where a district's actual revenues were less than budgeted revenues and, at the same time, depleted the district fund balance, beyond what was approved in total by the school board.

We recommend you continue to review your current budget amendments during the year. There will be situations where there continue to be budget violations as disclosed in footnote 2 subsection 3 of the financial statements. While there may be technical violations of the act we believe the district's current budget procedures are adequate.

Cash Management - Federal Awards

The Michigan Department of Education has recently been notified that it, along with all other states, has misinterpreted the advance provision of the Cash Management Improvement Act (CMIA). The United States Department of Education started monitoring and auditing CMIA compliance and is notifying sub-recipients that advances are limited to three days cash needs. In other words, funds must be spent by the district within 72 hours of being drawn down from the USDE GAPS system. Because of this new awareness, the department will no longer allow 30-day cash advances for ongoing programs during fiscal year 2006/2007. Thirty-day cash advances may be permitted for new one-time federal grant programs at the discretion of program management.

We recommend the District request funds on a reimbursement basis in order to ensure compliance with the revised cash management interpretation.

New Auditing Standards

Recently, 10 new auditing standards have been released and will become effective over the District's next two fiscal years. In reviewing the new standards, we do not believe, for the most part, they will have a significant impact on our overall audit approach. However, two of the new standards may directly impact the District beginning with the June 30, 2007 year-end.

One of the new standards revises the dating of the auditors' report. Under the old standards, the auditors' report was dated the last day of fieldwork. The new standards define the date as the date adequate audit evidence is obtained. Adequate audit evidence is now being interpreted as including the client's approval of draft financial statements. Although the dating of the report may seem trivial to non-auditors, it does have an impact on auditors' subsequent events work (June 30 through date of the auditors' report). The impact to the District could be if there was a long period of time needed to resolve certain open issues. This would extend the dating of the auditors' report and increase the amount of work we need to complete our subsequent events work.

Another standard effective for the June 30, 2007 year-end is related to our communications with the client. The new standard retained the definition of a "material weakness" and added two new categories of deficiencies "significant deficiency" and "control deficiency". Certain situations were included as examples of strong indicators of significant deficiencies and possibly material weaknesses. One of the situations is the client is unable to write financial statements, including the footnotes, in accordance with generally accepted accounting principles. Historically, we have prepared the financial statements and footnotes for the District. We will have to evaluate the District's ability to produce appropriate financial statements and footnotes and, accordingly, if any control deficiencies exists.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

To the Board of Education
Grand Ledge Public Schools
Grand Ledge, Michigan

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August 14, 2006

This report is intended solely for the information and use of Grand Ledge Public Schools, management, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Mama, Costanzo & Ellis, P.C.



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August 14, 2006

To the Board of Education
Grand Ledge Public Schools
Grand Ledge, Michigan

We have audited the financial statements of Grand Ledge Public Schools for the year ended June 30, 2006, and have issued our report thereon dated August 14, 2006. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Grand Ledge Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Grand Ledge Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Grand Ledge Public Schools' compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major programs for the purpose of expressing an opinion on Grand Ledge Public Schools' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Grand Ledge Public Schools' compliance with those requirements.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Grand Ledge Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2006. We noted no transactions entered into by Grand Ledge Public Schools during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Management's estimate of the liability of the payout for the employee compensated absences upon their retirement is based on expected payout; the balance reported was approximately \$420,000. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements as a whole.

Certain amounts included in capital assets have estimated based on an outside appraisal company. Certain allocations on the statement of activities allocating grants between instruction and support services have been used in preparing the statements.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Grand Ledge Public School's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Grand Ledge Public Schools, either individually or in the aggregate, indicate matters that could have a significant effect on the Grand Ledge Public Schools' financial reporting process. All adjustments have been approved by management.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Grand Ledge Public Schools' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Education, management, and federal awarding agencies and pass through entities of Grand Ledge Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Mamer, Costeniser & Ellis, P.C.